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U.S. Department
of Transportation
**Maritime
Administration**

Administrator

400 Seventh Street, S.W.
Washington, D.C. 20580

NOV 14 2003

Richard A. Lammons
Vice President
Port Pelican LLC
1111 Bagby - Room 2700
Houston, TX 77002-2543

4566-04-14134-45

Dear Mr. Lammons:

With respect to the application of Port Pelican, L.L.C. for a Deepwater Port license, as Maritime Administrator and as the Secretary of Transportation's delegee I have taken the following actions:

- I. I have noted that by authority delegated from the Secretary, effective June 4, 2003 (68 Federal Register 36496 (June 18, 2003)), the Maritime Administrator has the authority to make a determination in a Record of Decision (ROD) as to the approve of a Deepwater Port License.
- II. have approved the ROD hereto attached.
- III. I have determined that Port Pelican has met the citizenship requirements of the Deepwater Ports Act.
- IV. I have authorized the Chief Counsel, or an attorney appointed by the Chief Counsel, in concert with the Program Offices (MAR-560 and MAR-830), working with representatives of the U.S. Coast Guard, to draft for the Administrator's signature, in a cooperative effort with representatives of Port Pelican, L.L.C., a License which is consistent with the terms of the ROD.
- V. I have noted that such a license is a case of first impression, and understanding the complexities of this transaction, have directed that said license be presented for the Administrator's signature as soon as is practicable in light of these complexities.
- VI. I have approved the execution of all necessary documents, which must be in form and substance satisfactory to the Maritime Administration.

Sincerely,

Captain William G. Schubert
Maritime Administrator

U.S. DEPARTMENT OF TRANSPORTATION
RECORDS

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U.S. Department of Transportation

400 Seventh Street, S.W.
Washington, D.C. 20590-0001

**MARITIME ADMINISTRATION
Office of Chief Counsel**

Division of International Law,
General Law & Litigation

Francis Mardula

March 30, 2004

John J. Jaskot, Esq.
Jones, Walker, Waechter, Poitevent, Carrere & Denegre L.L.P.
499 South Capitol Street, S.W. Suite 600 **SENT VIA FAX: 202-203-0000**
Washington, D.C. 20043-4013

Subject: Port Pelican License Documents

Dear Mr. Jaskot:

On or about April 19, 2004 the additional documents required by the License will be due concerning the following License requirements:

- ARTICLE 5. Construction;
- 2. ARTICLE 9. Financial Responsibility;
- 3. ARTICLE 21 Effectiveness; Conditions; and
- 4. Agreement to Comply.

As you know, the License is not effective unless and until the Licensee has executed and delivered the "Agreement to Comply" and has delivered, with the Maritime Administration (MARAD) acknowledged receipt, such documents. All must be in form and substance satisfactory to MARAD

Please provide draft submissions for review no later than Monday, April 12, 2004 to ensure a smooth (informal) closing. Also, I will be on official travel beginning April 17, so it is best to complete this transaction prior to that time. If you have any questions I can be reached at (202) 366-5176; FAX (202) 366-7485; E-Mail Francis.Mardula@MARAD.DOT.GOV.

Sincerely,

Francis Mardula
Attorney Advisor

Port Pelican LLC

**PO Box 1404
Houston TX 77251-1404**

**1111 Bagby
Houston TX 77002
Tel 713 752 7084
Fax 713 752 6788**

**Richard A. Lammons
Vice President**

ChevronTexaco

April 7, 2004

**Capt. William G. Schubert
Maritime Administrator
Maritime Administration
U.S. Dept. of Transportation
400 Seventh Street, Room 7206
Washington D.C. 20590-0001**

Capt. Schubert:

It is with great pleasure that I submit to you on behalf of Port Pelican, LLC ("Licensee") the required documentation to accept the United State Department of Transportation License to Own, Construct and Operate a Deepwater Port Issued to Port Pelican LLC on January 20, 2004 (the "License").

As required by Articles 5, 9 and 21 of the License, Licensee hereby submits the following documentation:

- **An executed Agreement to Comply with the License;**
- **Evidence of financial responsibility in the form of a Guaranty Agreement executed by ChevronTexaco Corporation;**
- **An executed Technical and Management Services Contract between Chevron U.S.A., Inc. and Licensee to ensure that the technical and management support necessary to complete construction of the Deepwater Port is available to Licensee;**
- **An opinion of counsel stating that Licensee has been duly formed, the agreements have been duly authorized, executed and delivered, and that relevant documentation is consistent with the provision of the License; and**
- **A Certificate of good standing from the State of formation of the Licensee.**


In addition to the forgoing, Licensee is also including a copy of the Amended LLC Agreement relating to the Licensee.

April 7, 2004
Page 2

In accordance with Section 148.207 (b)(2) of the Department of Homeland Security's regulations, Licensee is submitting the Guaranty Agreement, Annex B, and the Technical and Management Services Contract on a confidential basis since those documents contain commercial or financial information that is privileged or confidential.

Licensee is submitting two originals of the filing which include confidential information. In addition, Licensee is submitting two alternate copies of this filing designating the Guaranty Agreement, Annex B, and the Technical and Management Services Contract as privileged and confidential.

Kind regards,



R.A. Lammmons
Vice President

RP

Enclosure

**UNITED STATES DEPARTMENT OF TRANSPORTATION
LICENSE TO OWN, CONSTRUCT AND OPERATE A DEEPWATER PORT
ISSUED TO PORT PELICAN LLC**

INCLUDING;

SIGNED AGREEMENT TO COMPLY

ANNEX A: PORT PELICAN CONDITIONS

ANNEX B: FORM OF GUARANTY AGREEMENT

ANNEX B IS PRIVILEGED AND CONFIDENTIAL

MA 13928

AGREEMENT TO COMPLY

Pursuant to the provisions of Section 4(e)(2) of the Deepwater Port Act of 1974, Port Pelican LLC, a Delaware limited liability company, hereby accepts the license to own, construct and operate a deepwater port, pursuant to the License to which this Agreement to Comply is attached, and in consideration thereof agrees to comply with and be bound by all conditions and provisions contained in such License.

Dated: April 7, 2004

PORT PELICAN LLC

By: 

Name: Richard A. Lammons

Title: Vice President

**UNITED STATES DEPARTMENT OF TRANSPORTATION
LICENSE TO OWN, CONSTRUCT AND OPERATE A DEEPWATER PORT
ISSUED TO PORT PELICAN LLC**

The Administrator of the Maritime Administration, pursuant to authority delegated by the Secretary of Transportation of the United States of America (hereinafter the "Secretary") under the Deepwater Port Act of 1974 (Pub. L. 93-627) (hereinafter, as amended from time to time, the "Act"), hereby issues to Port Pelican LLC, a Delaware limited liability company (hereinafter the "Licensee"), this license (hereinafter the "License") to own, construct and operate the Deepwater Port known as Port Pelican, off the shores of southern Louisiana, subject to the conditions of this License. The Deepwater Port shall consist of offshore structures, submarine pipelines and other facilities, to the extent such structures, pipelines and facilities (hereinafter the "Deepwater Port") are located seaward of the high water mark, all as more fully described in the application for this License (said application, as amended, hereinafter the "Application").

ARTICLE 1. General Obligations of Licensee.

The Licensee shall own, construct and operate the Deepwater Port:

(a) in accordance with, and consistent with the purposes of, the Act and any regulations heretofore or hereafter promulgated under the Act (hereinafter the "Regulations"), and any applicable Federal, State or local law or international treaty or agreement;

(b) in accordance with the conditions of this License; and

(c) in accordance with, and with no substantial change from (unless otherwise approved by the Secretary), the plans, operational systems, methods, procedures and safeguards set forth in the Application, to the extent that the Application is consistent with the provisions of clauses (a) and (b).

The Licensee shall obtain and maintain in force the necessary approvals and authorizations, including licenses and permits from the Federal Communications Commission, the Environmental Protection Agency, the U. S. Army Corps of Engineers and other Federal or State agencies, as required by law, for construction or operation, as applicable, of the Deepwater Port and connection of the port to other facilities.

ARTICLE 2. Term

This License shall remain in effect unless suspended or revoked by the Secretary or until surrendered by the Licensee.

The obligations of the Licensee contained in this License (except the obligations under Articles 10, 11, 12 and 13 hereof) shall survive any revocation, suspension, or surrender of the rights and privileges granted hereby and shall continue until the Licensee shall have been notified by the Secretary in writing that such obligations have been satisfied and discharged.

ARTICLE 3. Location.

The Licensee is authorized to construct and emplace offshore structures, pipelines, and related offshore facilities comprising the Deepwater Port, at the locations shown on, and in accordance with, the charts and descriptions in the Application, to the extent that such locations are on the Outer Continental Shelf, outside of the jurisdiction of the State of Louisiana.

Change shall not be made in the location of any offshore facilities or components of the Deepwater Port without prior approval of the Commandant of the U.S. Coast Guard or designee (hereinafter the "Commandant").

This License does not convey any rights or interests or any exclusive privileges, except as expressly set forth herein in respect of lands on the Outer Continental Shelf, in or to real property, whether by title, easement, or otherwise, and it does not authorize any infringement of applicable Federal, state, or local laws or regulations, or the property rights of any person.

ARTICLE 4. Design.

The Licensee shall submit for Commandant approval plans of the offshore components comprising the Deepwater Port.

There shall not be made, without prior approval of the Commandant, any substantial deviation, either before or after completion of the Deepwater Port, from those plans approved by the Commandant. The Licensee shall keep current at all times the record drawings as may be required by applicable Regulations. The design of the Deepwater Port shall be in accordance with the special requirements set forth in Annex A hereto.

Minor changes in the Deepwater Port, such as replacement in kind of any equipment or components or divergence from the approved plans, may be made if such changes or divergence are consistent with applicable Federal or State requirements, will not result in a decrease in efficiency, an adverse environmental impact, or an impairment of the general scheme of development. Any minor changes made without prior approval, which have produced or will produce any such results, shall be subject to alteration if the Commandant so directs.

ARTICLE 5. Construction

All work in the construction of the Deepwater Port and any expansion or modification shall be undertaken in a manner that does not interfere with the reasonable use of the high seas, adversely affect the safety of navigation, or pose a threat to human safety or health or to the environment.

Within 90 days of issuance of the License, the Licensee must provide evidence acceptable to the Secretary that the owners will furnish such technical and management support necessary to complete construction of the Deepwater Port in accordance with the conditions of the License.

Licensee shall not begin construction until the Secretary advises that the tiered analysis for the project-associated construction facilities discussed at Section 2.3.9 of the Environmental Impact Statement (EIS) has been completed.

Construction of the Deepwater Port shall not commence until the Licensee shall have submitted a quality assurance program for approval of the Commandant, and such approval shall have been

received. The program shall include provision for inspection, testing or other procedures with respect to any component fabricated or material ordered prior to the approval and implementation of the quality assurance program.

The Licensee shall submit to inspection of the construction, operation and maintenance of the Deepwater Port at any time by the Commandant, and by other Federal officials pursuant to their responsibilities under Federal law. The Licensee shall cooperate fully with all Federal inspection personnel and shall furnish them such access, facilities information, notice and services as they reasonably may require in the performance of their responsibilities. All facilities and services provided to Federal inspection personnel shall be equal in quality to that provided to the Licensee's representatives.

During the construction of the Deepwater Port the Licensee shall make office space available for inspection personnel at all construction and fabrication sites and shall provide subsistence, quarters, transportation and voice communications to shore for persons conducting inspections at offshore sites.

ARTICLE 6. Operations.

The Licensee shall operate the Deepwater Port at all times (a) in the manner contemplated in the design and construction of the port approved by the Commandant, and (b) in accordance with the Deepwater Port Operations Manual approved by the Commandant.

ARTICLE 7. Facilities Furnished to the Government.

When the Deepwater Port is in operation, the Licensee shall furnish office space, subsistence, quarters and necessary support services at the Deepwater Port for Coast Guard or other Federal inspectors while onboard in connection with inspection and monitoring of operations of the Deepwater Port. Such reasonable costs to the Licensee of providing the facilities and services required may be set off against the rental for the use of the seabed.

ARTICLE 8. Environmental Protection.

The Licensee shall implement in the design, construction, operation and maintenance of the Deepwater Port measures described in the Application, necessary to prevent, minimize or mitigate adverse environmental effects. The Licensee shall observe all special requirements set forth in Annex A and shall comply with all applicable Federal and State laws, regulations and program requirements relating to environmental protection, land and water use, and coastal zone management. As discussed in Section 2.3.9 of the EIS, the Licensee shall assist the Secretary by providing an environmental report focusing on the site specific environmental planning considerations associated with the preferred and alternative construction sites. No construction may commence until the Secretary determines that the potential environmental impacts have been considered in accordance with NEPA 40 CFR 1508.28 and COMDTINST M 16475.1D.

The Licensee shall keep informed about procedures and equipment suitable for minimizing adverse effects on the environment and shall from time to time procure and employ the best available technology for such purpose.

The Licensee shall cooperate fully with Federal, State, and local agencies in the response to mitigation of, and damage from discharges of petroleum products, hazardous materials, or liquefied or vaporized natural gas arising out of operation of the Deepwater Port.

ARTICLE 9. Financial Responsibility.

In order to ensure that necessary financial resources are available to the Licensee to meet design, construction and operations requirements under this License, the Licensee shall provide within 90 days of the issuance of the License evidence, in form and substance acceptable to the Secretary, as further described in this Article, that applicant can meet its financial responsibility obligations.

A U. S. Coast Guard issued determination of compliance with financial responsibility requirements must also be obtained for the Deepwater Port, as required under the Oil Pollution Act of 1990, prior to the operation of that facility. The determination of compliance with financial responsibility requirements must be obtained for the Licensee, as the responsible party. It may be obtained by the Licensee, Chevron U.S.A., Inc. (as the owner of the Licensee, hereinafter the "Owner"), or the Guarantor.

To ensure that necessary financial resources are available, as required, for any decommissioning activities for the Deepwater Port, the Licensee must provide a bond in an amount of \$193,500,000, to be annually adjusted by the percentage amount of the Consumer Price Index established by the Bureau of Labor Statistics, to cover the estimated full decommissioning costs for the Deepwater Port. In the alternative, the Guarantor may provide a guarantee in lieu of bonding stipulating that upon termination of the license, in the event that the Licensee is unable to fund the full decommissioning costs for the Deepwater Port, the Guarantor will provide the required funding to the Licensee for expenses incurred in accordance with Article 20.

To meet the financial responsibility requirements of this Article, the Licensee shall have in effect at all times a guaranty in the form of the Guaranty Agreement attached hereto as Annex B or such other form or combination thereof as may be approved by the Secretary issued by parties which the Secretary shall have determined are financially capable of performing such obligations and meeting such liability.

The Licensee shall not assign the guaranty or any rights thereunder, but such guaranty shall be for the benefit of any party having a claim against the Licensee under the aforesaid provisions of this License or the Act.

The Secretary may accept in lieu of such guaranty agreement or commitment by the Licensee's owners the following, or any combination thereof, for any of the obligations enumerated above: insurance policies, surety bonds, owner guarantees of the Licensee's financial obligations in proportion to each owner's respective interest in the Licensee, or qualification as self-insurer.

ARTICLE 10. Requirements for Vessels Calling.

Except in the case of *force majeure*, the Licensee shall not accept for mooring, and not accept cargoes from, any vessel unless and until such vessel:

- (a) conforms to applicable Federal regulations

(b) shall have a U. S. Coast Guard issued determination of compliance with financial responsibility (Oil Pollution) that meets the requirements of the Oil Pollution Act of 1990 (OPA 90).

ARTICLE 11. Managed Access.

Pursuant to Section 8(d) of the Act, the Licensee may exclusively utilize the entire capacity of the Deepwater Port for the acceptance, transport, storage, regasification or conveyance of natural gas produced, processed, marketed, or otherwise obtained by agreement by the Licensee or its affiliates. The Licensee may make unused capacity available pursuant to reasonable terms and conditions but only if such use does not otherwise interfere in any way with the acceptance, transport, storage, regasification, or conveyance of natural gas produced, processed, marketed, or otherwise obtained by agreement by the Licensee or its affiliates.

ARTICLE 12. Expansion and Modification.

The Licensee may expand or modify the Deepwater Port, or increase the capacity thereof or of any part thereof, in accordance with the approval of the Secretary if the Secretary shall determine that expansion or modification is technologically practicable and consistent with all safety, environmental, and international laws and obligations, and consistent with the purposes of the Act

ARTICLE 13. Inland Transportation.

The Licensee may cause to be established arrangements for the transportation of natural gas from the Deepwater Port to inland points served by connecting pipelines. Such transportation shall be in accordance with any terms and conditions as required by appropriate Federal and State agencies.

ARTICLE 14. Hazard Prevention.

Notwithstanding any other provision of this License, the Licensee shall take whatever measures are necessary to prevent hazards to human safety and health, property and to the environment that may arise from any activity concerning the construction, operation, maintenance, or termination of all or any part of the Deepwater Port.

ARTICLE 15. Indemnification.

The Licensee shall indemnify and hold harmless the Maritime Administrator, the Secretary of Transportation, the United States of America, the State of Louisiana and its or their agents and employees (such parties being hereinafter called "Indemnified Parties"), against and from any and all causes of action, penalties, claims, demands and judgments, which may be imposed on, asserted against or incurred by the indemnified parties, and any and all liabilities, damages, obligations, costs, disbursements, and expenses (including reasonable attorney's fees and expenses) of any nature which arise out of, or are connected with the issuance (or approval, in

the case of the State of Louisiana) of this License for any failure or refusal by a Licensee to perform any obligation or comply with any term or condition of the License.

ARTICLE 16. Transferability; Ownership Interests.

Neither this License nor any right or privilege afforded hereby shall be assigned or transferred by the Licensee without the prior written consent of the Secretary.

The Owner may sell, assign or transfer its ownership interest in the Licensee, or any part thereof, to any person or business entity which shall assume the obligations of an owner, and which shall have demonstrated financial responsibility to the Secretary, in like manner as an original owner.

ARTICLE 17. Equal Opportunity.

The Licensee shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Licensee shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. This shall include, but not be limited to, (i) employment, (ii) upgrading, (iii) demotion, (iv) transfer, (v) recruitment or recruitment advertising, (vi) layoff or termination, (vii) rates of pay or other forms of compensation, and (viii) selection for training, including apprenticeship.

ARTICLE 18. Conformance of Corporate Documents.

The Licensee shall not enter into or file with any government body any corporate document or agreement with others inconsistent with the terms hereof.

ARTICLE 19. Cause for Suspension or Revocation.

If, during the term of this License, one or more of the following events shall occur:

(a) the Licensee shall fail to observe or perform any obligation or condition contained in this License, or any guarantor shall fail to observe or perform any obligation contained in any assurance or guarantee given in connection with this License, and such failure shall continue after written notice (to Licensee and guarantor) from the Secretary specifying the failure and demanding that the same be remedied within the period specified in such notice, which shall be not less than 30 days unless a lesser period is necessary to protect public health or safety or to eliminate imminent and substantial danger to the environment; or

(b) any statement of the Licensee contained in the Application, or in any document submitted to the Secretary or the Commandant in connection with the Application or a request for approval thereunder, hereunder, or under applicable Regulations, shall contain a material misrepresentation or an omission of a material fact; or

(c) an unauthorized assignment or transfer of this License or any rights granted hereby; or

(d) any unauthorized assignment or transfer of an assurance or guarantee given pursuant to this License; or

(e) following proper accounting and notice from the Secretary, the Licensee shall have failed to pay within 60 days of such accounting and notice fees or other amounts due hereunder or under the Act or applicable Regulations; or

(f) provided that the Secretary has reason to believe that a petition in bankruptcy or insolvency against a Licensee will have a material and adverse effect on the ability of the Licensee to meet its obligations under the License, there shall be filed by or against the Licensee a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of the Licensee's property, or if the Licensee makes an assignment for the benefit of creditors or takes advantage of any insolvency act, and, in the case of an involuntary proceeding, within sixty days after the initiation of the proceeding the Licensee fails to secure a discontinuance of the proceeding, unless the Licensee shall have procured a guaranty satisfactory to the Secretary of the obligations of the Licensee; or

(g) provided that the Secretary has reason to believe that a petition in bankruptcy or insolvency against any owner or guarantor of such owner will have a material and adverse effect on the ability of such owner or guarantor to meet its obligations under this License, there shall be filed by or against any owner, or any guarantor of such owner, a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of the property of such owner or guarantor, or if any owner or guarantor of such owner makes an assignment for the benefit of creditors or takes advantage of any insolvency act, and, in the case of an involuntary proceeding, within sixty days after the initiation of the proceeding such owner or guarantor of such owner fails to secure a discontinuance of the proceeding, unless the Licensee shall have procured a guaranty satisfactory to the Secretary of the obligations of such owner or guarantor; or

(h) unless compelled to discontinue operation by a court of competent jurisdiction, the Licensee shall have discontinued operating the Deepwater Port for a period of one hundred eighty days unless such failure is due to authorized construction activities or *force majeure* or unless the Secretary shall have authorized such discontinuance; or

(i) the Licensee shall fail to comply with any order of a court of competent jurisdiction, or fail to satisfy a judgment, issued or arising out of a breach of any provision of this License, or any violation of the Act or applicable Regulations; or

(j) the Licensee shall fail to comply with any order issued by the Secretary, within the period set forth therein for compliance, and such compliance order shall not have been appealed pursuant to the provision of the then prevailing regulations in respect thereof or a final determination in respect of such an appeal shall have been made; then, in any such case, the Secretary, at his/her option, may suspend or revoke this License or any right or privilege afforded the Licensee hereunder in accordance with the then prevailing regulations for suspension or revocation of licenses issued under the Act. Without limiting the foregoing, the Secretary may proceed (or request the Attorney General to proceed) by appropriate court action or actions either at law or in equity, to enforce performance by the Licensee of the applicable provisions of this License or to recover damages for the breach thereof.

The remedies in this License provided in favor of the Secretary shall not be deemed exclusive but shall be cumulative and shall be in addition to all other remedies in its favor existing in the Act, the applicable Regulations, and otherwise at law and in equity.

The failure of the Secretary to exercise his/her rights upon the occurrence of any of the contingencies set forth herein, shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies, nor shall performance by the Secretary of the obligations of the Licensee constitute a waiver of any other right.

ARTICLE 20. Removal.

Upon termination or revocation of this License, unless an application for transfer is pending or has been approved, the Licensee shall decommission the Deepwater Port in accordance with plans approved by the Secretary. A plan for decommissioning must be submitted by the Licensee to the Secretary within 90 days after the termination or revocation of this License. As stated in the EIS, all decommissioning activities must be conducted in accordance with all applicable and appropriate regulations and guidelines in place at the time of decommissioning. If public health and safety compel a shorter removal schedule, the Secretary will make appropriate adjustments. If the Licensee seeks a waiver of any requirement to remove components as permitted by the Act, the Licensee may include such request in the decommissioning plans. Any removal must be completed within two years after the Licensee receives the Secretary's approval of the decommissioning plans, unless that time period is otherwise extended by the Secretary. If an application for transfer of the License is pending, the obligation of the Licensee to take any decommissioning actions shall be suspended until the Secretary acts upon the transfer application.

If the Licensee fails to remove any component of the Deepwater Port as required by the Secretary, the Secretary may arrange for its removal, and the Licensee shall be liable for the removal costs incurred.

ARTICLE 21. Effectiveness; Conditions.

This License shall not be effective unless and until the Licensee has executed and delivered the "Agreement to Comply" at the foot of this License, and the Secretary shall have received (and acknowledged such receipt), in form and substance satisfactory to him/her within 90 days of the issuance of this License:

(a) An opinion of counsel of the Licensee to the effect that (i) the Licensee has been duly formed, is validly existing and in good standing in the State of its formation, (ii) said agreement to comply has been duly authorized, executed and delivered by the Licensee and is a legal, valid, and binding instrument and this license is enforceable against the Licensee, and the related guaranty is enforceable against the Guarantor, in accordance with their terms, and (iii) all relevant corporate documents and agreements among the Licensee, its owner and Guarantor are fully consistent with the provisions of this license;

(b) Certificate of good standing from the State of formation for the Licensee; and

(c) An executed counterpart of the Guaranty Agreement, if such be required.

ARTICLE 22. Enforcement; Delegation.

The rights, powers and authority of the Secretary hereunder may be enforced by the Attorney General or such other official of the United States of America having authority to enforce the provisions of the Act or having jurisdiction of the matters covered hereby or thereby.

The rights, powers and authority of the Secretary hereunder and under the Act and applicable Regulations may be exercised and enforced by the Commandant and such agents or employees of the Department of Transportation, the Department of Homeland Security, and the Coast Guard to whom such rights, powers and authority may from time to time be delegated, whether generally by means of customary procedures or specifically by delegation or appointment.

ARTICLE 23. Reports.

In addition to any reports required by applicable Regulations, the Licensee shall furnish promptly to the Secretary and/or Commandant, as appropriate, such other information as the Commandant or the Secretary may reasonably request from time to time. The Licensee shall notify the Secretary of any proceeding, order, or other judicial or administrative action concerning the activities covered hereby which could be reasonably expected to have a material and adverse effect on the ability of the Licensee to perform its obligations under this License, and shall advise the Secretary from time to time of the status and results of any such action.

ARTICLE 24. Definitions.

Except as otherwise defined herein, the terms used in this License shall have the meanings specified in the Act.

ARTICLE 25. Limitations.

Except as expressly set forth in this License, no other license, authorization, permit, or approval required by law is granted hereby. This License does not authorize anything in the Application that is or may be found to be in conflict with the Act, applicable Regulations, or guidelines issued under the Act.

The approval of the Secretary or the Commandant of any design, construction method, or operating procedure, or any other approval granted by this License, shall not relieve the Licensee of liability that it may incur in the ownership, construction, or operation of the Deepwater Port.

ARTICLE 26. Responsibilities of Employees.

The Licensee shall cause its agents, employees, contractors and subcontractors to comply with all applicable provisions of this License.

ARTICLE 27. Notice.

Any notice required or permitted to be given by this License, the Act or applicable Regulations shall be deemed to have been given when delivered or when deposited in the United States mails, first class postage prepaid, addressed as follows:

(a) if to the Maritime Administrator, acting on behalf of the Secretary, at the United States Department of Transportation, Maritime Administration, 400 Seventh Street, Room 7206, Washington, D.C. 20590-0001, unless required otherwise by regulation or another provision of this License;

(b) if to the Commandant of the Coast Guard, at U.S. Coast Guard Headquarters, 2100 Second Street, S.W., Room 2212, Washington, D.C. 20593-0001, unless required otherwise by regulation or another provision of this License;

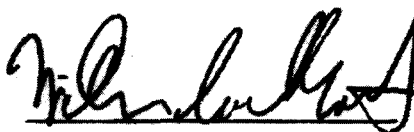
(c) if to the Licensee, at Port Pelican LLC, 1111 Bagby Street, Houston, TX 77002-2543, or at such other address as the Licensee shall notify the Secretary from time to time.

The Licensee shall notify the Secretary of any change in its address within thirty days of the change.

ARTICLE 28. Severability.

Each provision of this License is, and shall be deemed to be separate and independent of any other provision. If any provision of this License is held invalid or unenforceable or the operation thereof shall be suspended by order of a court of competent jurisdiction, the remainder of this License shall not be affected and shall be valid and enforced to the fullest extent permitted by law. Any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Washington, D. C.



CAPT. William G. Schubert

Maritime Administrator

Maritime Administration

U.S. Department of Transportation

Dated: January 20, 2004

AGREEMENT TO COMPLY

Pursuant to the provisions of Section 4(e)(2) of the Deepwater Port Act of 1974, Port Pelican LLC, a Delaware limited liability company, hereby accepts the license to own, construct and operate a deepwater port, pursuant to the License to which this Agreement to Comply is attached, and in consideration thereof agrees to comply with and be bound by all conditions and provisions contained in such License.

January ____, 2004

PORT PELICAN LLC

By: _____

Name: Richard A. Lammons

Title: Vice President

ANNEX A

PORT PELICAN CONDITIONS

This Annex contains conditions of the License issued to Port Pelican LLC ("Licensee") to construct and operate a deepwater port off the coast of Louisiana. These conditions were developed in the process of the preparation of the environmental impact statement and the subsequent environmental review of the project. The authority of these conditions may be found in Section 4 of the Deepwater Port Act.

- (1) Project Changes. The Licensee must submit to the Commandant with any substantive proposed changes in the project or project plans an "Environmental Assessment" discussing the probable environmental consequences, adverse and beneficial, of the change. The "Environmental Assessment" shall be of a detail and to a depth considered appropriate to the nature of the proposal. As noted in the main text of the license, the licensee will not commence construction until after a proper supplement to the environmental impact statement has been completed.
- (2) National Pollution Discharge Elimination System (NPDES) Permit. The Licensee will obtain an NPDES permit and will comply with all conditions and mitigation measures identified as conditions to the permit. The Licensee will provide to the U.S. Coast Guard a copy of the permit, including all conditions and requirements.
- (3) Facility Response Plan and Operations Manual. Provide and receive approval from the U.S. Coast Guard prior to operations. These plans will describe measures to be implemented by Licensee's personnel and its contractors to prevent, and if necessary, control any inadvertent spill of petroleum products and hazardous materials such as fuels, lubricants, and solvents. The Plan and Manual will identify typical fuel, lubricants, and hazardous materials stored or used, and the location, quantity, and method of storage. Additionally, the Plan and Manual will identify and define emergency notification procedures in the event of a spill, procedures for collection and disposal of waste generated during spill cleanup or equipment maintenance. In addition to these requirements, the Operations Manual will describe other measures to be implemented by Licensee personnel and its contractors to prevent, and if necessary, control any potential for adverse impacts to the environment during the operation of the deepwater port. In particular, the Operations Manual will contain specific measures to minimize impacts to air and water quality, impacts to essential fish habitat, and the incidental take of endangered species, as described in more detail below. The Manual and Plan will be updated with site-specific information prior to construction, prior to transport and installation of the Gravity Based Systems (GBS), and prior to commencement of operations. The Manual and Plan will be updated as changes occur or on a specific time line as identified by the U.S. Coast Guard.
- (4) Intake Location and Screen Size. The center of the seawater intake array will be sited at 60 ft below mean sea level. The screen size will be 0.25 inches to maintain a maximum seawater through-screen intake velocity of 0.5 ft/sec.
- (5) Seafloor Impacts: The Licensee will take appropriate actions, as required, to prevent the water discharge from scouring the seafloor near the ORV discharge points.
- (6) Pelican Interconnector Pipeline (PIPL). The PIPL will be constructed, tested, and installed according to applicable existing procedures as defined by the Mineral Management Service in coordination with the Department of Transportation, Research & Special Projects

Administration, Office of Pipeline Safety and tested to the satisfaction of the Office of Pipeline Safety. The discharge of hydrostatic test water will be made in accordance with the terms of the general discharge permit governing operations of this type in the GOM.

(7) **Monitoring Plan.** The Licensee will develop a plan to monitor the impacts of the Deepwater Port operations on essential fish habitat and will coordinate with National Oceanic and Atmospheric Administration (NOAA) Fisheries throughout the development and implementation of the plan and will provide to the U.S. Coast Guard a copy of the NOAA-approved monitoring plan. The monitoring plan will contain the following:

A sampling method of pumping water from specified depths and filtering through multiple mesh sizes to separate potentially impinged and entrained groups based on the facility's seawater intake.

Measure the levels of mortality to marine fisheries species (including ichthyoplankton). Organisms will be identified to lowest taxon possible, and amount of each taxon will be calculated per volume of seawater.

Sampling to occur at three depths, one below the level of seawater intakes, one at the level of the seawater intakes, and one above the level of the seawater intakes.

- Samples will be taken 4 times per year to determine seasonality of representative and important species occurring in the vicinity of the GBSs.

The sampling program will last two years to provide an analysis and variability checks of results for a one-year period.

(8) **Incidental Take and Reporting Requirements.** NOAA fisheries has determined that there will be an expected impact to sea turtles in the operations area (including the recommended vessel routes) as a result of vessel traffic during the anticipated 40-year life span of the facilities. The Licensee shall meet the following requirements:

- The Licensee is required to follow the vessel strike avoidance requirements (MMS NTL No. 2003-G10) to appreciably reduce the numbers of sea turtles that may be incidentally taken from routine offshore vessel operations.
- The Licensee is required to implement measures to reduce any potential impacts to sea turtles from vessel traffic. Reporting requirements in the NTL shall apply. Reporting for protected species will be to a single point of contact at USCG.
- The Licensee is required to minimize the risk of accidental discharges of marine debris into the marine environment to the greatest extent practical.
- The Licensee is required to minimize the risk of injury and mortality to sea turtles resulting from the use of explosives during decommissioning.
- The Licensee is required to notify the U.S. Coast Guard within 24 hours of all potential vessel strikes.

NOAA Fisheries determined that the following level of anticipated take (lethal, or non-lethal not likely to appreciably reduce either the survival or recovery of sperm whales, leatherback, green, hawksbill, Kemp's ridley, or loggerhead sea turtles in the wild by reducing their reproduction, numbers, or distribution:

- One take per year of a leatherback sea turtle by a vessel strike.
- One take per year of either a green, Kemp's ridley, or hawksbill sea turtles by a vessel strike.
- Six takes per year of loggerhead sea turtles by a vessel strike.
- One take of any species of sea turtles over the lifetime of the action for explosive decommissioning of the terminal.

If the actual incidental take exceeds this level, MARAD must immediately reinitiate formal consultation.

(9) Impacts to Cultural Resources: During the construction and installation of the project's facilities, the Licensee must properly avoid or further investigate certain anomalies discovered in the geohazard surveys and described in the Final EIS

(10) Avoidance of Geologic Hazards: Any significant geological hazard encountered during installation of the GBSs will be avoided. Additional geophysical surveys will be conducted for pipeline route(s) selected for licensing. The Licensee will make the results of such surveys known to appropriate personnel in MMS and the U.S. Coast Guard

(11) Corps of Engineers Section 404 Permit (if required). The Licensee will coordinate with the appropriate Corps of Engineers District Office to obtain a Section 404 permit. The Licensee will obtain the permit and adhere to all conditions, including an approved anchoring plan. The Licensee will provide to the U.S. Coast Guard a copy of the permit, including all conditions and requirements.

(12) Title V Air Permit. The Licensee will obtain a Title V air permit from the Environmental Protection Agency (EPA). Port Pelican will obtain other air permits, if required by EPA, prior to installation of the GBSs and pipeline and prior to operations. The Licensee will provide to the U.S. Coast Guard a copy of the permit(s), including all conditions and requirements.

(13) Decommissioning. The Licensee will conduct all decommissioning activities in accordance with approved plans required by the Secretary, and in compliance with all applicable and appropriate regulations and guidelines in place at the time of the decommissioning. .

- If explosives are used, they will be of the type normally used for decommissioning of Outer Continental Shelf (OCS) facilities in the Gulf of Mexico. Should explosives be used for decommissioning, the Licensee would, prior to their use, present for approval to interested agencies appropriate impact zone models, specifics as to explosive type and weight, and a description of possible effects on listed species and the actions to be taken to eliminate or reduce such effects.
- Prior to decommissioning, and in consultation with the appropriate Federal agencies, an evaluation would be conducted to determine the nature and extent of habitat that has developed during the operational life of the facilities. The Licensee will coordinate with these agencies to develop a mutually agreeable decommissioning plan.
- The Licensee will provide to the U.S. Coast Guard a copy of the plan, including all agreements, a timetable, and any other pertinent information.
- Port Pelican will follow NOAA fisheries protocols during decommissioning as identified in the "Take" permit.

(14) Notice. Provide to the Minerals Management Service (MMS) via the Secretary, photocopies of return receipts that indicate the date each lessee or right of way holder intersected by the proposed facilities received a copy of the information relative to their interest. Letters of no objection may be submitted in lieu of the return receipts.

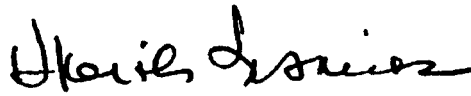
ACKNOWLEDGEMENT

In accordance with Article 21 of the License, this is acknowledgement by the Maritime Administration, acting on behalf of the Secretary of the U.S. Department of Transportation, of receipt, in form and substance satisfactory to the Secretary, of the "Agreement to Comply" and the other documents required by License Articles 5, 9, and 21, received within 90 days of the issuance of the License. The acknowledgement reflects that as of this date the License shall be effective

UNITED STATES OF AMERICA

U.S. DEPARTMENT OF TRANSPORTATION

BY: THE MARITIME ADMINISTRATION

A handwritten signature in black ink, appearing to read "H. Keith Lesnick", is written over a horizontal line.

H. Keith Lesnick

Project Manager

Washington, D. C.

Dated: May 11, 2004

CERTIFICATE

OF

GOODSTANDING

Delaware

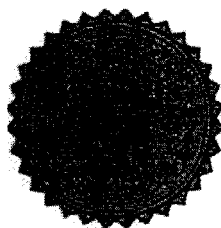
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The First State

I HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "PORT PELICAN LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TENTH DAY OF FEBRUARY, A.D. 2004

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "PORT PELICAN LLC" WAS FORMED ON THE FIRST DAY OF NOVEMBER A.D. 2002.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

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AUTHENTICATION 2922757

040092407

DATE: 02-10-04

OPINON

OF

COUNSEL

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1111 Bagby Street, Room 4048
Houston, TX 77002
Tel 713 752 3131
Fax 713 752 3966
djba@chevrontexaco.com

Donna J. Bailey
Senior Counsel

March 31, 2004

ChevronTexaco

**Maritime Administrator
United States Department of Transportation
Maritime Administration
400 Seventh Street
Room 7206
Washington, D.C 20590-0001**

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Article 21 of the License to Own, Construct and Operate a Deepwater Port Issued to Port Pelican LLC by the United States Department of Transportation on January 20, 2004 (the "License"). Terms defined in the License and used but not defined herein have the meanings given to them in the License.

The undersigned has acted as counsel to Port Pelican LLC (the "Licensee") and Chevron U.S.A. Inc. ("CUSA"), Licensee's owner, in connection with the proposed development by the Licensee of the Port Pelican Deepwater Port in the Gulf of Mexico. In this connection, the undersigned has examined the License, the Secretary's Decision on the Deepwater Port License Application of Port Pelican LLC (the "ROD"), Licensee's organizational documents, all relevant corporate documents and agreements between Licensee, CUSA and ChevronTexaco Corporation, including the Guaranty Agreement by ChevronTexaco Corporation (the "Guarantor") in favor of Licensee and you (the "Guaranty"), and such other documents as deemed necessary or appropriate for the opinions expressed herein.

Based on the foregoing, the undersigned is of the opinion that as of the date hereof, so far as the laws of Delaware are concerned:

- (a) Licensee has been duly formed, is validly existing and is in good standing in Delaware, the State of its formation.**
- (b) The agreement to comply that has been executed by Licensee in connection with the License has been duly authorized, executed and delivered by the Licensee and is a legal, valid and binding instrument.**
- (c) The License is enforceable against Licensee in accordance with its terms, subject to applicable bankruptcy, insolvency, conservatorship, receivership and**

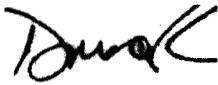
similar laws affecting creditors' rights generally and subject to general principles of equity.

- (d) The Guaranty is enforceable against the Guarantor in accordance with its terms, subject to and limited by the effect of (i) bankruptcy, insolvency, fraudulent conveyance and transfer, receivership, conservatorship, arrangement, moratorium and other laws affecting or relating to the rights of creditors generally, (ii) the rules governing the availability of specific performance, injunctive relief or other equitable remedies and general principles of equity, regardless of whether considered in a proceeding in equity or law, (iii) applicable court decisions, invoking statutes or principles of equity, which have held that certain covenants and provisions of agreements are unenforceable where the breach of such covenants or provisions imposes restrictions or burdens upon an obligor, and it cannot be demonstrated that the enforcement of such restrictions or burdens is necessary for the protection of the creditor, or which have held that the creditor's enforcement of such covenants or provisions under the circumstances would violate the creditor's covenants of good faith and fair dealing implied under California law, (iv) California statutes and cases to the effect that a surety may be exonerated if the creditor alters the original obligation of the principal without the surety's consent, elects remedies for default that may impair the surety's subrogation rights against the principal, or otherwise takes action which materially prejudices the surety, without notification of the surety, unless such rights of the surety are validly waived, (v) Code of Civil Procedure section 1856, which permits parties to introduce evidence to explain or supplement the terms of their agreement, (vi) California Civil Code section 1698 and the decisions thereunder which hold that California courts will not enforce contractual provisions that bar oral modification when an orally-modified contract has been executed (fully performed), (vii) California Civil Code section 1599 and the decisions thereunder which hold that a clause held void cannot be severed from the agreement, and (viii) California Civil Code section 1717. While the undersigned believes that a California court should hold the waivers described in preceding clause (iv) are enforceable, the undersigned expresses no opinion with respect to the effect of any modification of the obligations guaranteed by the Guaranty which materially increases such obligations, or any election of remedies by a beneficiary of the Guaranty following the occurrence of a default, or any other action by such beneficiary, which materially prejudices Guarantor, if such actions occur without notice and opportunity to cure being granted to Guarantor.
- (e) All relevant corporate agreements now existing among Licensee, CUSA and/or Guarantor are fully consistent with the provisions of the License.

Maritime Administrator
United States Department of Transportation
Maritime Administration
March 31, 2004
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The undersigned is a member of the Bar in the State of Alabama and does not purport to be an expert on, or to express any opinion on matters herein concerning, any law other than the business corporation laws of the States of Delaware, California and the federal law of the United States. Further, this is a legal opinion. The undersigned is relying on the factual representations made by others and makes no representations of fact.

Very truly yours, 7

A handwritten signature in black ink, appearing to read "Donna J. Bailey".

Donna J. Bailey
Senior Counsel